



## Legislative Fiscal Bureau

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TO: Senator Jennifer Shilling  
Room 20 South, State Capitol

FROM: Jon Dyck, Fiscal Analyst

SUBJECT: Status of the Veterans Trust Fund

At your request, this memorandum provides information on the status of the veterans trust fund, both in the 2013-15 biennium and in the following two biennia, as projected by the Department of Veterans Affairs in a recent fund condition report submitted to the Joint Committee on Finance.

Under current law, the Department of Veterans Affairs (DVA) is required to prepare a report by June 30 of every even-numbered year describing the current condition of the veterans trust fund and the fund's projected revenues and expenditures. On June 30, 2014, DVA submitted a report to the Joint Committee on Finance outlining actual and projected revenues and expenditures for the veterans trust fund from 2012-13 through 2018-19. According to the report, the Department projects that the fund will end the 2013-15 biennium with a positive balance of \$2.5 million. However, due to an ongoing imbalance between annual fund revenues and expenditures, the fund is projected to end the following four fiscal years with negative balances, increasing in magnitude from -\$8.8 million in 2015-16, -\$11.9 million in 2016-17, -\$12.5 million in 2017-18, and -\$13.0 million in 2018-19.

Although DVA projects a deficit in each of the four years during this period, the beginning balance for each of the succeeding years is assumed to be \$0. That is, DVA makes the assumption that since the fund cannot support expenditures in any fiscal year if it has a negative opening balance, some combination of expenditure and revenue adjustments will be taken in each of those years to avoid a deficit. Consequently, the amounts shown for each year following the 2013-15 biennium represent the annual, projected structural imbalance between current law revenues and expenditures (with minor adjustments), rather than the cumulative imbalance over the period. Over the four-year period, the cumulative deficit (and also the total amount of budgetary adjustments required) is projected to be \$46.1 million. [This total is different from the sum of the annual amounts listed above due to rounding.]

Although the Department's report assumes that the annual imbalances between current law

revenues and expenditures will not result in a deficit carrying over into the following year, the Department does not propose any specific measures to address the projected fund deficit in its report (nor is the Department required to make such proposals under the statutory reporting provision). The measures needed to address the annual trust fund imbalance may include budgetary decisions made by the Legislature in enacting the 2015-17 and 2017-19 biennial budgets, or administrative measures taken by DVA under its current statutory authority. The Legislature has responded to trust fund revenue shortfalls in previous years by transferring revenues from the general fund or from unallocated balances in the program revenue appropriation that supports the operation of the veterans homes. The Legislature may also decide to reduce trust fund expenditures or supplement current trust fund revenues with other revenue sources. Following budget passage, the Department has administrative authority to address a fund deficit within the biennium by either reducing expenditures in trust fund appropriations or by transferring unallocated balances from PR appropriations to the veterans trust fund. As passed by the Legislature, the 2013-15 biennial budget bill authorized the Department to make such transfers, subject to approval by the Joint Committee on Finance under a 14-day passive review process. However, in signing Act 20, the Governor vetoed the Finance Committee review requirement, allowing the Department to make transfers without first seeking Committee approval.

I hope this information is helpful. If you have further questions, please contact me.

JD/sas